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**(ACE Paper 59/97)**

**for advice**

**Charges for Disposal of Waste at Landfills**

**Purpose**

This paper seeks Members' views on the implementation of the revised landfill charging scheme.

**Waste Disposal Charging**

2. Under the "polluter pays" principle, waste producers should pay the cost for handling and disposal of the waste they produce. Apart from the factor of equity to the public, this requirement creates an economic incentive for the waste producers to implement waste reduction, reuse and recycling.

3. Disposal of waste at landfills has been free of charge. The costs to develop and operate landfills are paid for by public money from the general revenue of the Government. This is undesirable and encourages indiscriminate use of the landfills as no economic incentive exists for waste producers to minimise waste generation, or to carry out appropriate sorting to achieve effective reuse or recycling of waste.

4. In terms of resource management, the scarce landfill capacity that is difficult and costly to provide should be reserved primarily for the disposal of putrescible waste. The indiscriminate disposal of large quantities of public fill (reusable inert construction and demolition materials) at landfills contributes significantly to the rapid depletion of landfill capacity in Hong Kong.

5. It is therefore necessary to charge waste producers for using the landfills to encourage waste reduction and recycling and to achieve more effective use of the landfills. This is also in line with Government's policy to recover the cost of providing public services by imposing a charge on the relevant users.

### **The Original Landfill Charging Scheme**

6. The original landfill charging scheme was contained in the Waste Disposal (Charges for Waste Disposal) Regulation approved by the then Governor-in-Council in May 1995. The original landfill charging scheme was devised to be simple to administer because of the site constraints at the old landfills that were still operational at the time, and the benefit of imposing landfill charges quickly to stop further indiscriminate use of the landfills. A per-tonne charging scheme based on prepaid waste disposal tickets was formulated.

7. Strong objections by the waste collectors emerged when the Government announced the intended implementation of the original landfill charging scheme. In response the Regulation was amended to allow landfill users to pay either on a per tonne or a per vehicle basis. Despite the amendment a blockage of landfills was staged by the waste collectors. The actions of the waste collectors raised public health concerns as it was feared large quantities of waste could pile up on the streets generating odour nuisance and sanitary problems. After several rounds of meetings with the waste collectors in June 1995, the Government agreed to delay the landfill charging programme to allow time to consider the concerns expressed by the waste collectors.

### **Objections to the Original Scheme**

8. The main objections by private waste collectors to the original scheme were -

- (a) they should not have to pay the landfill charges as they did not produce the waste. They would be pressed by their clients (the waste producers) to pay the landfill charge in advance and as a result they would face serious cashflow problems; and
- (b) they would face the risk of bad debts if their clients refused to reimburse them the landfill charge afterwards. Government should protect them from bad debts.

### **The Revised Landfill Charging Scheme**

9. After a thorough review, and many rounds of meetings, modifications to the original landfill charging scheme are proposed which we believe meet the legitimate concerns raised by the waste collectors. We have not been able to devise a system that would charge all individual waste producers direct as this would be too complicated and expensive. Nor can we underwrite bad debts, as a matter of principle. Under the revised landfill charging scheme, the pre-paid ticket arrangement is retained to cater for the occasional landfill users while new deferred payment arrangements through account billing are introduced.

### **The Waste Disposal (Landfill Charges) Regulation**

10. The Waste Disposal (Charges for Disposal of Waste) Regulation will be replaced by the Waste Disposal (Landfill) Regulation to give effect to the new charging arrangements of the revised landfill charging scheme. The key elements of the revised landfill charging scheme are summarised below.

### **The Basis of Charging**

11. Landfill users will be given a choice of payment options. If a user wishes to pay by vehicle load, he will have to register his vehicles under a Classifying Label (CL) arrangement, which classifies the vehicles by their gross weight. Vehicles with a CL can pay the charge either by waste tonnage or vehicle load. In practice the site computer will conduct a comparison and select the lesser charge. However, to discourage the overloading of waste collection vehicles, charge by waste tonnage would apply if the gross weight of the vehicle is larger than the permitted gross weight of the vehicle.

### **Payment Options**

12. The government will offer the following payment options to meet the needs of the waste collection industry:

- (a) Pre-paid Ticket - on per tonne basis
- (b) Pre-paid Ticket - on per vehicle load basis
- (c) Chit System - on per vehicle load basis
- (d) VRM System - on per tonne basis
- (e) VRM System - on per vehicle load basis

### **The Pre-paid Ticket System**

13. A landfill user who does not have a credit account with the Government may purchase tickets from the on-site sales booth at the landfill or other outlets. If the landfill user's vehicle is registered under the CL arrangement, he is allowed to pay either by tonne or by vehicle load (whichever is less as determined by the computer).

### **Account Billing Options**

14. The last three options under paragraph 12 allow landfill users to pay in arrears by opening an account with the Director of Environmental Protection (the Director). He will also have to pay a deposit. Payment will be monthly and account holders have 30 days to pay the bill.

### **The Chit System**

15. The Chit System is designed to suit the needs of construction contractors or other large waste producers who sub-contract the removal of waste. An account is opened for each waste producing site and the Director will issue Chits to account holders who will be billed monthly. Under this system, landfill charges are on a per vehicle load basis only. The account holders must use waste collection vehicles registered under the CL arrangement.

### **The Vehicle Registration Mark (VRM) System**

16. Under the VRM system the VRM and other particulars of a vehicle are recorded in the computer and the VRM is used as the key for account identification. All VRM accounts will be put under the CL arrangement automatically.

17. Vehicle details are recorded at both the in-bound and the outbound weighbridges, and the computer will calculate the charge for the transaction both by means of waste tonnage and by vehicle load. The lesser amount will be debited to the VRM account. However, if the gross weight of the vehicle is larger than the permitted gross weight of the vehicle under the relevant category of the CL, charge on a per tonne basis would apply.

### **Charges**

18. The original scheme proposed a charge of \$43 per tonne in 1995, which represented 50% of the cost recover level. We intend to retain the \$43 charge initially.

### **Exemption from Charges**

19. Disposal of household waste at landfills is exempted from charging. Provisional Municipal Council vehicles and vehicles hired by the RSD or USD will be exempted from paying landfill charges.

### **Payment of landfill charges by users of Refuse Transfer Station**

20. A user of the Refuse Transfer Station (RTS) services shall be deemed to be a user of the landfill services. A user of the RTS will have to pay both the RTS service charge and the landfill charge, where applicable. RTS users will only be charged the landfill charge on a per tonnage basis under the VRM system.

### **Implementation**

21. We intend to introduce the revised charging scheme in mid-1998.

### **Advice Sought**

22. Members' comments on the revised landfill charging scheme are sought.